

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Eaton Rapids Township	County Eaton
Fiscal Year End 3/31/07	Opinion Date 6/7/07	Date Audit Report Submitted to State 6/25/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES **NO** **Check each applicable box below.** (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, PC		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number 1101008247

**Eaton Rapids Township
Eaton County, Michigan
Financial Report
With Supplemental Information
March 31, 2007**

Eaton Rapids Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Eaton Rapids Township
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mentor Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and page 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter P.C.
Certified Public Accountants
June 7, 2007

Management's Discussion and Analysis

As management of Eaton Rapids Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,020,268 (*net assets*). Of this amount, \$683,965 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$72,643
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$683,772, a decrease of \$13,425 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$682,772 or 112% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and community/economic development. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,020,268 at the close of the most recent fiscal year.

A portion of the Township's net assets (33%) reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture & fixtures, equipment and vehicles); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

Governmental Activities	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
Current and Other Assets	713,059	719,854
Capital Assets, Net	<u>442,178</u>	<u>247,312</u>
Total Assets	1,155,237	967,166
Current Liabilities	47,827	19,541
Long Term Liabilities	<u>87,142</u>	<u>-0-</u>
Total Liabilities	134,969	19,541
Net Assets:		
Invested in Capital Assets, Net of Related Debt	336,303	247,312
Unrestricted	<u>683,965</u>	<u>700,313</u>
Total Net Assets	1,020,268	947,625

The Township's net assets increased by \$72,643 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$16,348 or 2%, during fiscal year ended March 31, 2007.

Township's Changes in Net Assets

Governmental Activities	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Revenue:		
Program Revenue:		
Charges for services	77,728	77,407
Operating Grants and Contributions	-0-	-0-
General Revenue:		
Property Taxes	103,433	99,183
State-Shared Revenues	266,587	265,221
Interest and Rent Earnings	34,486	17,964
Other	<u>10,261</u>	<u>4,687</u>
Total Revenue	492,495	464,462
Expenses:		
General Government	181,601	198,980
Public Safety	165,064	-0-
Public Works	38,816	42,466
Health and Welfare	3,827	-0-
Community/Economic Development	9,370	8,451
Other	18,200	-0-
Interest on Long Term Debt	<u>2,974</u>	<u>-0-</u>
Total Expenses	<u>419,852</u>	<u>434,385</u>
Increase (Decrease) in Net Assets	72,643	30,077
Net Assets, Beginning of Year	<u>947,625</u>	<u>917,548</u>
Net Assets, End of Year	<u><u>1,020,268</u></u>	<u><u>947,625</u></u>

Governmental activities. The Township's total governmental revenues increased by \$133,908 from last fiscal year. This was primarily attributed to an increase in Taxes, Interest and Rentals, and Note Proceeds. Expenses increased by \$204,276. The increase was primarily due to increased Capital Outlay expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$683,772, a decrease of \$13,425 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 99.8% of this total amount or \$682,772.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 112% and total fund balance represents 112% of total general fund expenditures.

The fund balance of the General Fund decreased by \$13,425 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted fund is the General Fund. The General Fund budget was amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$442,178 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$222,345 for the fiscal year ended March 31, 2007.

Township's Capital Assets (net of depreciation)

	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
Land	13,000	13,000
Land Improvements	5,287	6,001
Land Improvements – Fire Department	8,867	10,167
Buildings	13,751	14,191
Buildings – Fire Department	108,660	114,043
Furniture & Fixtures	7,025	9,165
Furniture & Fixtures – Fire Department	4,794	2,482
Equipment – Fire Department	28,401	26,005
Vehicles – Fire Department	<u>252,393</u>	<u>52,258</u>
Total	<u>442,178</u>	<u>247,312</u>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

Long Term Debt. The Township has one item of long term debt, an installment contract payable with an outstanding balance at March 31, 2007 of \$105,875. Additional information on the long term debt can be found in Note 9 on page 21 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- The Township has projected a slight increase in property tax revenue and in State Shared Revenue. The Township anticipates updating Fire Department equipment with the source of funds being "set-aside" money from prior years and possibly the sale of some Fire Department equipment. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Eaton Rapids Township
2512 S. Canal Road
Eaton Rapids, Michigan 48827

Basic Financial Statements

Eaton Rapids Township
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 300,965
Investments - Certificates of deposit (Note 3)	324,729
Receivables: (Note 4)	
Other	3,967
Property taxes	3
Intergovernmental	53,149
Due from Fiduciary fund	27,079
Prepaid insurance	3,167
Capital assets-net (Note 5)	<u>442,178</u>
 Total assets	 <u>1,155,237</u>
 Liabilities	
Current Liabilities:	
Accounts payable	26,120
Accrued interest	2,974
Intergovernmental payables	-
Installment loan payable (due within one year) (Note 9)	<u>18,733</u>
Total current liabilities	<u>47,827</u>
 Noncurrent Liabilities:	
Installment loan payable (Note 9)	<u>87,142</u>
Total noncurrent liabilities	<u>87,142</u>
 Total liabilities	 <u>134,969</u>
 Net Assets	
Invested in capital assets, net of related debt	336,303
Unrestricted	<u>683,965</u>
 Total net assets	 \$ <u><u>1,020,268</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township
Statement of Activities
Year ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Assets
Governmental Activities				
General government	\$ 181,601	\$ 57,020	\$ -	\$ (124,581)
Public safety	165,064	20,708	-	(144,356)
Public works	38,816	-	-	(38,816)
Health and welfare	3,827	-	-	(3,827)
Comm./Econ. Develop.	9,370	-	-	(9,370)
Other	18,200	-	-	(18,200)
Interest on long term debt	2,974	-	-	(2,974)
Total governmental activities	\$ 419,852	\$ 77,728	\$ -	(342,124)
General Revenues:				
Property taxes - operating				103,433
State-shared revenues				266,587
Interest and investment earnings				34,486
Other				10,261
Total general revenues				414,767
Change in Net Assets				72,643
Net assets - beginning of year				947,625
Net assets - end of year				\$ 1,020,268
Amounts reported for governmental activities are different because:				
Net Change in Fund Balances - Total Governmental Funds				\$ (13,425)
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.				
Depreciation expense		\$ (27,479)		
Capital outlay		222,345		194,866
Prepaid items reduce expenses reported in the statement of activities as expenditures in the governmental funds because they require the use of current financial resources				51
Installment note proceeds are income in the governmental funds, but not in the statement of activities (where it increases long term debt)				(105,875)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid				(2,974)
Repayment of installment loan payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)				-
Change in Net Assets of Governmental Activities				\$ 72,643

See accompanying notes to financial statements.

Eaton Rapids Township
Governmental Funds
Balance Sheet
March 31, 2007

	General Funds
Assets	
Cash and cash equivalents	\$ 300,965
Investments - Certificates of deposit	324,729
Accounts receivable	3,967
Property taxes	3
Due from other governmental units	53,149
Due from other funds	27,079
Total assets	<u>\$ 709,892</u>
Liabilities	
Accounts payable	\$ 26,120
Due to other funds	-
Due to other governments	-
Total liabilities	<u>26,120</u>
Fund balances	
Reserved	1,000
Unreserved:	
Undesignated:	
General Fund	682,772
Total fund balances	<u>683,772</u>
Total liabilities and fund balances	<u>\$ 709,892</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 683,772
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	856,032
Accumulated depreciation is	(413,854)
Prepaid items are not available to pay current period expenditures and, therefore, not reported in governmental funds	3,167
Long term liabilities are not due and payable in the current period and are not reported in the fund statements	
Installment loan payable	(105,875)
Accrued interest is not included as a liability in governmental funds	(2,974)
Net Assets of Governmental Activities	<u>\$ 1,020,268</u>

See accompanying notes to financial statements.

Eaton Rapids Township
Governmental Funds
Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balances
Year ended March 31, 2007

	General Funds
Revenues	
Taxes and penalties	\$ 136,988
Licenses and permits	10,275
State grants	266,587
Charges for services	33,898
Interest and rentals	34,486
Other revenue	10,261
Total revenues	<u>492,495</u>
Other Financing Sources	
Note proceeds	<u>105,875</u>
Total Revenues and Other Financing Sources	<u>598,370</u>
Expenditures	
Current:	
General government	178,358
Public safety	140,879
Public works	38,816
Health and welfare	3,827
Community/Economic development	9,370
Other	18,200
Capital outlay	<u>222,345</u>
Total expenditures	<u>611,795</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(13,425)
Fund balance - April 1, 2006	<u>697,197</u>
Fund balance - March 31, 2007	<u><u>\$ 683,772</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township
Fiduciary Funds
Statement of Net Assets
March 31, 2007

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash	\$ -	\$ 27,079
Receivables - employer	17,425	-
Investments - at fair value	248,741	-
Due from other funds	-	-
	<hr/>	<hr/>
Total assets	\$ <u>266,166</u>	\$ <u>27,079</u>
Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	27,079
Due to other governments	-	-
	<hr/>	<hr/>
Total liabilities	<hr/> -	\$ <u>27,079</u>
Net Assets - Held in Trust for Pension Benefits	\$ <u>266,166</u>	

See accompanying notes to financial statements.

Eaton Rapids Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended March 31, 2007

	Trust Fund- Pension Fund
Additions	
Contributions	
Employer	\$ 17,425
Investment earnings	<u>27,447</u>
Total Additions	44,872
 Deductions	
Benefits	<u>-</u>
Total deductions	<u>-</u>
 Net increase	44,872
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>221,294</u>
End of the year	\$ <u><u>266,166</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Eaton Rapids Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2006 taxable value of the Township was \$118,883,294. The 2006 tax levy was .8416 mills for general operating purposes raising \$100,052 for general operating purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	15 years
Buildings and additions	20-40 years
Furniture and fixtures	5-20 years
Equipment	4-10 years
Vehicles	10 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any designated fund balance in the operating fund at March 31, 2007. The reserved fund balance of \$1,000 consists of money contributed to the Township in trust with the investment earnings to be used for the purchase of flowers for the cemetery.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township did not incur any expenditures in excess of amounts budgeted.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund:			
Other	\$ 17,000	\$ 18,200	\$ 1,200
Capital Outlay - Fire Dept.	220,753	222,345	1,592

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated seven banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 3 - Deposits and Investments (Continued)

Eaton Rapids Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Eaton Rapids Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 300,965	\$ 27,079	\$ 328,044
Investments - Certificates of deposit	324,729	-	324,729
Investments - Pension	-	248,741	248,741
Total	<u>\$ 625,694</u>	<u>\$ 275,820</u>	<u>\$ 901,514</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 652,423
Investments	248,741
	<u>\$ 901,164</u>

Cash and cash equivalents on the financial statements includes \$350 of petty cash.

The deposits of the Township were reflected in the accounts of seven financial institutions, of which \$543,061 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

The Township has not updated its investment policy to conform with Governmental Accounting Standards Board Statement (GASB) #40.

Note 4 - Receivables

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:	General Fund	Fiduciary Pension Fund	Fiduciary Tax Coll. Fund	Total
Other	\$ 3,967	\$ 17,425	\$ -	\$ 21,392
Property taxes	3	-	-	3
Intergovernmental	53,149	-	-	53,149
	<u>\$ 57,119</u>	<u>\$ 17,425</u>	<u>\$ -</u>	<u>\$ 74,544</u>

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at March 31, 2007.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Capital assets being depreciated:				
Land improvements	10,715	-	-	10,715
Land improvements - Fire Department	19,505	-	-	19,505
Buildings	17,609	-	-	17,609
Buildings - Fire Department	215,333	-	-	215,333
Furniture & fixtures	43,616	-	-	43,616
Furniture & fixtures - Fire Department	4,754	3,824	-	8,578
Equipment - Fire Department	106,444	7,700	-	114,144
Vehicles - Fire Department	202,711	210,821	-	413,532
Subtotal	<u>620,687</u>	<u>222,345</u>	<u>-</u>	<u>843,032</u>
Accumulated Depreciation				
Land improvements	4,714	714	-	5,428
Land improvements - Fire Department	9,338	1,300	-	10,638
Buildings	3,418	440	-	3,858
Buildings - Fire Department	101,290	5,383	-	106,673
Furniture & fixtures	34,451	2,140	-	36,591
Furniture & fixtures - Fire Department	2,272	1,512	-	3,784
Equipment - Fire Department	80,439	5,304	-	85,743
Vehicles - Fire Department	150,453	10,686	-	161,139
Subtotal	<u>386,375</u>	<u>27,479</u>	<u>-</u>	<u>413,854</u>
Net capital assets being depreciated	<u>234,312</u>	<u>194,866</u>	<u>-</u>	<u>429,178</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 247,312</u>	<u>\$ 194,866</u>	<u>\$ -</u>	<u>\$ 442,178</u>

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,294
Public safety	24,185
Total governmental activities	<u>\$ 27,479</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General Fund	\$ 27,079	General Fund	\$	-
Fiduciary Funds	-	Fiduciary Funds		27,079
Total	<u>\$ 27,079</u>	Total	<u>\$</u>	<u>27,079</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
None	<u>\$ -</u>	None	<u>\$</u>	<u>-</u>

Note 7 - Risk Management

Eaton Rapids Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Eaton Rapids Township has a defined contribution pension plan covering substantially all employees who choose to belong to the plan. This benefit is an insurance-type plan administered by Benefit Plan Services, Inc., under provisions of Section 401(a) of the Internal Revenue Code. As of March 31, 2007 the plan's current membership was 13.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan has no annual contribution requirement. Plan contributions will be determined annually by the Township Board and all contributions have immediate vesting.

The Township's total payroll for the year ended March 31, 2007 was approximately \$131,721. The payroll of the eligible participants was \$87,125; the Township made the required contribution of \$17,425.

Eaton Rapids Township
Notes to Financial Statements
March 31, 2007

Note 8 - Pension Plan (Continued)

No pension provision changes occurred during the year that affected the required contributions to be made by the Township .

The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Note 9 - Long Term Debt

The general obligation long term debt consists of the following item:

Description	Purpose	Original Amount & Payment Terms	Interest Rate	Balance Due March 31, 2007
Installment loan	Purchase Fire Truck	Original amount - \$105,875, annual payment \$23,832 commencing 8/24/07 final payment of \$26,588 on 8/24/11	4.75%	\$ 105,875

Changes in long term debt during the year ended March 31, 2007 are as follows:

Balance - April 1, 2006	\$ -
New borrowing	105,875
Principal paid	-
Balance - March 31, 2007	<u>\$ 105,875</u>

Total debt payments due in future years are shown below:

Year Ending	Interest	Principal	Total
March 31, 2008	\$ 5,099	\$ 18,733	\$ 23,832
March 31, 2009	4,208	19,624	23,832
March 31, 2010	3,252	20,580	23,832
March 31, 2011	2,261	21,571	23,832
March 31, 2012	1,221	25,367	26,588
	<u>\$ 16,041</u>	<u>\$ 105,875</u>	<u>\$ 121,916</u>

Required Supplemental Information

Eaton Rapids Township
Budgetary Comparison Schedule - General Fund
Year ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	3/31/07	3/31/07	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 631,823	\$ 697,197	\$ 697,197	\$ -
Resources (Inflows)				
Taxes and fees	138,250	138,250	136,988	(1,262)
Licenses and permits	9,270	9,270	10,275	1,005
State grants	268,500	268,500	266,587	(1,913)
Charges for services	31,000	31,000	33,898	2,898
Interest and rentals	12,020	12,020	34,486	22,466
Other	1,500	1,500	10,261	8,761
Note proceeds	-	-	105,875	105,875
Amounts available for appropriation	<u>1,092,363</u>	<u>1,157,737</u>	<u>1,295,567</u>	<u>137,830</u>
Charges to Appropriations (Outflows)				
General government	246,870	246,870	178,358	(68,512)
Public safety	171,420	186,854	140,879	(45,975)
Public works	86,500	86,500	38,816	(47,684)
Health and Welfare	5,000	5,000	3,827	(1,173)
Community/Economic Development	13,800	13,800	9,370	(4,430)
Other	17,000	17,000	18,200	1,200
Capital outlay	42,000	235,753	222,345	(13,408)
Total charges to appropriations	<u>582,590</u>	<u>791,777</u>	<u>611,795</u>	<u>(179,982)</u>
Fund Balance - end of year	<u>\$ 509,773</u>	<u>\$ 365,960</u>	<u>\$ 683,772</u>	<u>\$ 317,812</u>

Supplemental Information

Eaton Rapids Township
General Fund
Detail of Revenues and Other Financing Sources - Budget and Actual
Year ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Current tax	\$ -	\$ 103,360	\$ -
Delinquent tax	-	-	-
Penalties & interest	-	73	-
Property tax administration fee	-	33,555	-
Total Taxes	<u>138,250</u>	<u>136,988</u>	<u>(1,262)</u>
Licenses and permits			
Dog licenses	-	314	-
Cable TV and franchise fees	-	9,961	-
Total Licenses and permits	<u>9,270</u>	<u>10,275</u>	<u>1,005</u>
State grants			
State shared revenue	-	261,913	-
State Metro Act	-	4,674	-
Total State grants	<u>268,500</u>	<u>266,587</u>	<u>(1,913)</u>
Charges for services			
Land split fees	-	680	-
Summer tax collection	-	5,335	-
Fire runs	-	4,708	-
Fire protection services	-	16,000	-
Cemetery lot sales	-	3,725	-
Cemetery internment fees	-	3,450	-
Total Charges for services	<u>31,000</u>	<u>33,898</u>	<u>2,898</u>
Interest and rentals	<u>12,020</u>	<u>34,486</u>	<u>22,466</u>
Other revenue			
Miscellaneous	-	3,646	-
Refunds	-	6,615	-
Total Other revenue	<u>1,500</u>	<u>10,261</u>	<u>8,761</u>
Total Revenues	<u>460,540</u>	<u>492,495</u>	<u>31,955</u>
Other Financing Sources			
Installment loan proceeds	-	105,875	105,875
Total Revenues and Other Financing Sources	<u>\$ 460,540</u>	<u>\$ 598,370</u>	<u>\$ 137,830</u>

Eaton Rapids Township
General Fund
Detail of Expenditures - Budget & Actual
Year ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Expenditures			
Current			
General Government			
Legislative			
Salaries		4,800	
Classes and conferences		210	
Social security		6,376	
Office supplies		1,293	
Postage		2,992	
Insurance and bonds		4,124	
Travel		296	
Printing and publishing		2,124	
Office equipment repairs		1,546	
Office equipment rental		3,724	
Miscellaneous		414	
Refunds		-	
Dues and subscriptions		2,472	
Contingency		-	
Total Legislative	61,120	30,371	30,749
Supervisor			
Salaries		12,500	
Classes and conferences		485	
Legal		5,650	
Travel		474	
Miscellaneous		-	
Total Supervisor	31,650	19,109	12,541
Clerk			
Salary - Clerk		20,500	
Wages - Deputy clerk		9,553	
Classes and conferences		1,110	
Contracted payroll services		1,400	
Audit		5,400	
Travel		1,042	
Miscellaneous		59	
Total Clerk	41,150	39,064	2,086
Board of Review			
Wages		1,620	
Classes and conferences		280	
Total Board of Review	1,900	1,900	-

Eaton Rapids Township
General Fund
Detail of Expenditures - Budget & Actual
Year ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Expenditures			
Current			
General Government (continued)			
Treasurer			
Salary - Treasurer	\$	\$ 20,500	\$
Wages - Deputy Treasurer		8,769	
Classes and conferences		325	
Travel		485	
Miscellaneous		-	
Total Treasurer	<u>32,450</u>	<u>30,079</u>	<u>2,371</u>
Assessor			
Supplies		-	
Contracted services		19,800	
Land split fees		450	
Total Assessor	<u>21,550</u>	<u>20,250</u>	<u>1,300</u>
Elections			
Wages		4,365	
Supplies		1,084	
Total Elections	<u>6,500</u>	<u>5,449</u>	<u>1,051</u>
Township Hall			
Supplies		130	
Utilities		4,248	
Maintenance		867	
Custodial wages		600	
Total Township Hall	<u>14,600</u>	<u>5,845</u>	<u>8,755</u>
Cemetery			
Contractual services		20,800	
Internment		3,750	
Utilities		105	
Maintenance		1,636	
Improvements		-	
Total Cemetery	<u>35,950</u>	<u>26,291</u>	<u>9,659</u>
Total General Government	<u>246,870</u>	<u>178,358</u>	<u>68,512</u>

Eaton Rapids Township
General Fund
Detail of Expenditures - Budget & Actual
Year ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Expenditures			
Current			
Public Safety - Fire Department			
Salaries and wages	\$	\$ 48,548	\$
Classes and conferences		5,363	
Social security		3,701	
Office supplies		309	
Custodial supplies		465	
MFR supplies		713	
Personal fire gear		4,714	
Physicals		337	
Fuel		2,015	
Travel		3,278	
Insurance		28,210	
Utilities		8,269	
Maintenance - building & grounds		3,720	
Maintenance - equipment		27,457	
Miscellaneous		3,210	
Dues and subscriptions		570	
Total Fire Department	<u>186,854</u>	<u>140,879</u>	<u>45,975</u>
Public Works			
Drains at large	13,091	13,091	-
Public improvement - roads	<u>73,409</u>	<u>25,725</u>	<u>47,684</u>
Total Public Works	<u>86,500</u>	<u>38,816</u>	<u>47,684</u>
Health and Welfare			
Ambulance	<u>5,000</u>	<u>3,827</u>	<u>1,173</u>
Community/Economic Development			
Planning Commission			
Wages		2,835	
Classes and conferences		156	
Miscellaneous		6,379	
Total Comm./Econ. Development	<u>13,800</u>	<u>9,370</u>	<u>4,430</u>
Other			
Retirement	<u>17,000</u>	<u>18,200</u>	<u>(1,200)</u>
Capital Outlay			
General Government			
Legislative	12,000	-	12,000
Townhall	3,000	-	3,000
Pubic Safety - Fire Department	<u>220,753</u>	<u>222,345</u>	<u>(1,592)</u>
Total Capital Outlay	<u>235,753</u>	<u>222,345</u>	<u>13,408</u>
Total Expenditures	<u>\$ 791,777</u>	<u>\$ 611,795</u>	<u>\$ 179,982</u>

Eaton Rapids Township
Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended March 31, 2007

		Current Tax Collection Fund		
		Balance April 1, 2006	Additions	Deductions
				Balance March 31, 2007
Assets				
Cash	\$	<u>26,805</u>	<u>\$ 3,272,898</u>	<u>\$ 3,272,624</u>
				<u>\$ 27,079</u>
Liabilities				
Due to other funds	\$	26,805	\$ 140,535	\$ 140,261
Due to county		-	1,673,196	1,673,196
Due to schools		-	1,449,370	1,449,370
Refunds		-	9,797	9,797
Total liabilities	\$	<u>26,805</u>	<u>\$ 3,272,898</u>	<u>\$ 3,272,624</u>
				<u>\$ 27,079</u>



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June 7, 2007

Township Board
Eaton Rapids Township
Eaton County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Eaton Rapids Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPA's, P.C.
Certified Public Accountants
Mio, Michigan